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SUBJECT: INVESTOR CONFIDENCE IN COSTA RICA REACHES NEW LOW

REF: A) SAN JOSE 02664; B) SAN JOSE 02460

1. (U) Summary: The Central Bank of Costa Rica (BCCR)'s most recent (Jul.-Sept. 2005) quarterly survey says investor confidence has reached a new low. When asked "Is now a good time to invest in Costa Rica, only 4.2 percent said "yes", 75.0 percent said "no", and 20.8 percent were "unsure". End Summary

2. (U) All of the figures in this cable come from BCCR's most recent quarterly "Survey of Economic Perspectives [http://www.bccr.fi.cr/ndie/Documentos/Informe %20Encuesta%20II-05.pdf](http://www.bccr.fi.cr/ndie/Documentos/Informe%20Encuesta%20II-05.pdf) (specifically "Grfico No. 11" entitled "The current Investment Climate" on page 11) and reports from earlier quarterly found at [http://www.bccr.fi.cr/ndie/encuesta\\_perspecti vas.htm](http://www.bccr.fi.cr/ndie/encuesta_perspecti_vas.htm).

3. (U) According to the third quarter 2005 report, only 4.2 percent of the Costa Rican respondents believe now is a good time to invest in Costa Rica. More importantly, those who believe that now is a bad time to invest reached a new high of 75.0 percent. Opinions have solidified over the last year with those saying they were "Unsure" reaching a new low of 20.8 percent.

4. (U) Analyzing BCCR data on investor confidence over the last 12 quarters shows that confidence peaked at 61.0% in the first quarter of 2004 when Costa Rica concluded CAFTA negotiations with the U.S. Confidence sunk to the low double-digits for the next two quarter as negotiations to conclude CAFTA-DR continued. Once CAFTA-DR negotiations concluded and the agreement was signed on August 5, 2004, it soon became clear that the Pacheco administration had no intention of pushing CAFTA forward. Confidence dove in the fourth quarter of 2004 into the low single digits where it has remained ever since.

5. (U) Here is the trend over the last 12 quarters to the questions "Is now a good time to invest in Costa Rica?":

	Good time	Bad time	Unsure
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Q4 2002	30.3%	44.7%	25.0%
Q1 2003	12.8%	53.8%	33.3%
Q2 2003	14.6%	51.2%	34.1%
Q3 2003	38.5%	10.3%	51.3%
Q4 2003	38.5%	20.5%	41.0%
Q1 2004	61.0%	15.0%	24.0%
Q2 2004	17.4%	47.8%	34.8%
Q3 2004	11.1%	62.2%	26.7%
Q4 2004	3.8%	71.2%	25.0%
Q1 2005	2.1%	61.2%	36.7%
Q2 2005	4.0%	62.0%	34.0%
Q3 2005	4.2%	75.0%	20.8%

Note: BCCR data is not available before the fourth quarter 2002.

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COMMENT  
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16. (SBU) The Central Bank of Costa Rica's figures are the clearest indication we have seen of the harm done to Costa Rica's investment climate by the current administration's "go slow" approach to CAFTA and languishing fiscal reform.  
LANGDALE